

NORTH IOWA AREA COUNCIL OF GOVERNMENTS

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTARY INFORMATION
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2015

- Prepared By -

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TABLE OF CONTENTS

	<u>Page</u>
<u>OFFICIALS</u>	1
<u>INDEPENDENT AUDITOR'S REPORT</u>	2-3
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS</u>	4-7
<u>BASIC FINANCIAL STATEMENTS:</u>	
	<u>Exhibit</u>
Statement of Net Position	8
Statement of Revenues, Expenses and Changes in Net Position	9
Statement of Cash Flows	10
Notes to Financial Statements	11-21
<u>REQUIRED SUPPLEMENTARY INFORMATION:</u>	
Schedule of the Agency's Proportionate Share of the Net Pension Liability.	22
Schedule of Agency Contributions.	23
Notes to Required Supplementary Information - Pension Liability.	24-25
<u>SUPPLEMENTARY INFORMATION:</u>	
	<u>Schedule</u>
Statement of Selected Project Costs and Computation of Selected Project Grants	26-29
Schedule of Expenditures of Federal Awards	30
<u>INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</u>	
	31-32
<u>INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133</u>	
	33-34
<u>SCHEDULE OF FINDINGS</u>	35-37

NORTH IOWA AREA COUNCIL OF GOVERNMENTS

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>County</u>	<u>Term Expires</u>
Casey Callanan	Member	Cerro Gordo	Indefinite
Brian Crowell	Member	Cerro Gordo	Indefinite
David Vikturek	Treasurer	Cerro Gordo	Indefinite
James Erb	Vice-Chair	Floyd	Indefinite
J.R. Ackley	Secretary	Floyd	Indefinite
Doug Kamm	Member	Floyd	Indefinite
Jeanie Ahrens	Member	Franklin	Indefinite
Corey Eberling	Member	Franklin	Indefinite
Kent Morton	Member	Franklin	Indefinite
Ron Sweers	Member	Hancock	Indefinite
Terry Johnson	Member	Hancock	Indefinite
Gary Gelner	Member	Hancock	Indefinite
Harley Kohlhaas	Member	Kossuth	Indefinite
Don McGregor	Member	Kossuth	Indefinite
Susan Bangart	Member	Kossuth	Indefinite
Craig Mennenga	Member	Mitchell	Indefinite
Rick Bodensteiner	Member	Mitchell	Indefinite
Stan Walk	Chair	Mitchell	Indefinite
Alyssa Slattum	Member	Winnebago	Indefinite
Mike Stensrud	Member	Winnebago	Indefinite
Candy Hanna	Member	Winnebago	Indefinite
Merlin Bartz	Member	Worth	Indefinite
Terry Steinmetz	Member	Worth	Indefinite
Rick Scholbrock	Member	Worth	Indefinite
Ned Wicker	Member	At-Large	Indefinite



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
North Iowa Area Council of Governments
Mason City, IA 50401

Report on the Financial Statements

I have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the North Iowa Area Council of Governments (NIACOG), as of and for the year ended June 30, 2015, and the related Notes to Financial Statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NIACOG as of June 30, 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 8 to the financial statements, NIACOG adopted new accounting guidance related to the Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. My opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Schedule of the Agency's Proportionate Share of the Net Pension Liability and the Schedule of the Agency Contributions on pages 4 through 7 and 22 through 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquires of management about methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise NIACOG's basic financial statements. The supplementary information included in Schedules 1 and 2, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated December 29, 2015 on my consideration of NIACOG's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering NIACOG's internal control over financial reporting and compliance.



Charles City, Iowa
December 29, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

North Iowa Area Council of Governments (NIACOG) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. I encourage readers to consider this information in conjunction with NIACOG's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- NIACOG's operating revenues increased 56%, or \$3,545,506, from fiscal 2014 to fiscal 2015, due to an increase in CDBG activity compared to the prior year.
- NIACOG's operating expenses were 49%, or \$3,150,603 higher in fiscal 2015 than in fiscal 2014, due mainly to increased costs associated with CDBG award payments.
- NIACOG's net position increased 7%, or \$312,389, from June 30, 2014 to June 30, 2015, due to federal funds received.

USING THIS ANNUAL REPORT

The North Iowa Area Council of Governments is a 28E Organization and presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to NIACOG's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of NIACOG's financial activities.

The Statement of Net Position presents information on NIACOG's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of NIACOG is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position is the basic statement of activities for proprietary funds. This statement presents information on operating revenues and expenses, non-operating revenues and expenses and whether NIACOG's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in NIACOG's cash and cash equivalents during the year. This information can assist the use of the report in determining how NIACOG financed its activities and how it met its cash requirements.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with the Agency's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the grant activity. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the Agency.

FINANCIAL ANALYSIS OF THE AGENCY

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of NIACOG's financial position. NIACOG's net position for fiscal 2015 totaled approximately \$4,773,897. This compares to approximately \$5,285,870 at the end of fiscal 2014. A summary of NIACOG's net position is presented below.

Net Position	June 30,	
	2015	2014 (not restated)
Current assets	\$ 2,869,013	\$2,336,172
Non-current assets	267,112	315,308
Capital assets at cost, less accumulated depreciation	3,004,150	3,358,797
Total assets	\$6,140,275	\$6,010,277
Deferred outflow of resources	\$ 129,085	\$ -
Current liabilities	\$ 591,822	\$ 724,407
Noncurrent liabilities	654,162	-
Total liabilities	\$1,245,984	\$ 724,407
Deferred inflow of resources	\$ 249,479	\$ -
Net position:		
Reserved	\$ 567,019	\$ 751,673
Unreserved	4,206,878	4,534,197
Total net position	\$4,773,897	\$5,285,870

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27 was implemented during fiscal year 2015. The beginning net position was restated \$824,362 to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. The financial statement amounts for fiscal year 2014 net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Statement of Revenues, Expenses and Changes in Net Position

Operating revenues are received from federal grants, state grants, and other local sources. Operating expenses are to operate the transit systems and programs. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net position for the years ended June 30, 2015 and 2014 is presented below:

Changes in Net Position

	Year ended June 30,	
	2015	2014 (not restated)
Operating Revenues:		
Grants	\$6,841,196	\$3,688,107
Program reimbursements and other local sources	<u>2,990,225</u>	<u>2,597,808</u>
Total operating revenues	<u>\$9,831,421</u>	<u>\$6,285,915</u>
Operating Expenses	<u>9,545,291</u>	<u>6,394,688</u>
Operating income (deficit)	\$ 286,130	\$ (108,773)
Non-operating revenues, net	<u>26,259</u>	<u>12,145</u>
Change in net position	<u>\$ 312,389</u>	<u>\$ (96,628)</u>
Net position beginning of year, as restated	<u>4,461,508</u>	<u>5,382,498</u>
Net position end of year	<u>\$4,773,897</u>	<u>\$5,285,870</u>

The Statement of Revenues, Expenses and Changes in Net Position reflects an increase in the net position at the end of the fiscal year.

- Net position for the year increased \$312,389, mainly due to federal funds received.
- NCRERC expenses for the year were \$110,555 and revenues were \$105,802. Future revenues and expenses will vary depending on incident response activity.
- State and Federal Transit Operating Assistance for the year totaled \$1,235,330. These same funding sources for the previous fiscal year totaled \$1,317,485. The increase was in Federal Transit Assistance.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes federal and state support, program reimbursements and other revenue, reduced by payments to employees and to suppliers. Cash used by capital and related financing activities includes principal payments and the purchase of capital assets. Cash provided by investing activities includes interest income.

CAPITAL ASSETS

At June 30, 2015, NIACOG had approximately \$3,004,150 invested in capital assets, net of accumulated depreciation of approximately \$5,807,662. Depreciation expense totaled \$535,163 for fiscal year 2015. More detailed information about NIACOG's capital assets is presented in Note 4 to the financial statements.

ECONOMIC FACTORS

In the upcoming year, NIACOG will continue to maximize efficiencies related to providing transit services for Region 2. Under the terms of their 28E agreement, NIACOG and the City of Mason City will continue to share in ongoing costs to operate and maintain the facility.

In the fall of 2008, NIACOG was selected to administer disaster assistance funds under the State and Federal Jumpstart programs for an expanded 22 county region. State and Federal grant revenue and related administrative expenses increased in 2015 as additional programs had activity. Program activity related to newer disaster assistance grants from fiscal 2010 is expected to continue into fiscal year 2016. For fiscal year 2015, NIACOG has also continued its involvement in the administration of various grants for urban revitalization, housing rehabilitation and economic development throughout the region.

CONTACTING NIACOG'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of NIACOG's finances and to show NIACOG's accountability for the money it receives. If you have questions about this report or need additional financial information, contact North Iowa Area Council of Governments, 525 6th Street SW, Mason City, IA 50401.

Basic Financial Statements

NORTH IOWA AREA COUNCIL OF GOVERNMENTS
STATEMENT OF NET POSITION
JUNE 30, 2015

	<u>NIACOG</u>	<u>NCRERC</u>	<u>Total</u>
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 1,980,568	\$ 73,873	\$2,054,441
Accounts receivable	728,409	5,514	733,923
Prepaid expenses	12,601	-	12,601
Notes receivable	67,341	-	67,341
Other receivables	707	-	707
Total current assets	<u>\$ 2,789,626</u>	<u>\$ 79,387</u>	<u>\$2,869,013</u>
Noncurrent assets:			
Notes receivable	<u>\$ 267,112</u>	<u>\$ -</u>	<u>\$ 267,112</u>
Fixed assets:			
Land	\$ 157,711	\$ -	\$ 157,711
Building	2,640,644	-	2,640,644
Equipment	338,594	112,144	450,738
Vehicles - unrestricted	1,091,695	62,516	1,154,211
Vehicles - restricted	4,408,508	-	4,408,508
Total	<u>\$ 8,637,152</u>	<u>\$ 174,660</u>	<u>\$8,811,812</u>
Less accumulated depreciation	<u>(5,648,634)</u>	<u>(159,028)</u>	<u>(5,807,662)</u>
Net fixed assets	<u>\$ 2,988,518</u>	<u>\$ 15,632</u>	<u>\$3,004,150</u>
Total assets	<u>\$ 6,045,256</u>	<u>\$ 95,019</u>	<u>\$6,140,275</u>
DEFERRED OUTFLOW OF RESOURCES:			
Pension related deferred outflows	<u>\$ 129,085</u>	<u>\$ -</u>	<u>\$ 129,085</u>
LIABILITIES:			
Current liabilities:			
Trade accounts payable	\$ 308,295	\$ 1,536	\$ 309,831
Accounts payable for award payments	221,429	-	221,429
Accrued benefits payable	<u>60,562</u>	<u>-</u>	<u>60,562</u>
Total current liabilities	<u>\$ 590,286</u>	<u>\$ 1,536</u>	<u>\$ 591,822</u>
Noncurrent liabilities:			
Net pension liability	<u>\$ 654,162</u>	<u>\$ -</u>	<u>\$ 654,162</u>
Total Liabilities	<u>\$ 1,244,448</u>	<u>\$ 1,536</u>	<u>\$1,245,984</u>
DEFERRED INFLOW OF RESOURCES:			
Unavailable revenues:			
Pension related deferred inflows	<u>\$ 249,479</u>	<u>\$ -</u>	<u>\$ 249,479</u>
NET POSITION:			
Reserved (Note 2)	\$ 567,019	\$ -	\$ 567,019
Unreserved	<u>4,113,395</u>	<u>93,483</u>	<u>4,206,878</u>
Total net position	<u>\$ 4,680,414</u>	<u>\$ 93,483</u>	<u>\$4,773,897</u>

See Notes to Financial Statements.

NORTH IOWA AREA COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2015

	NIACOG	NCRERC	Total
OPERATING REVENUES:			
Federal funds	\$6,388,945	\$ 10,000	\$6,398,945
State funds	442,251	-	442,251
Local funds	2,894,423	95,802	2,990,225
Total operating revenues	<u>\$9,725,619</u>	<u>\$ 105,802</u>	<u>\$9,831,421</u>
OPERATING EXPENSES:			
Salaries	\$1,107,753	\$ -	\$1,107,753
Employee benefits	236,981	-	236,981
Contracted services	71,504	12,000	83,504
Advertising	48,056	-	48,056
Telephone	4,957	-	4,957
Printing	7,969	-	7,969
Supplies	16,646	-	16,646
Travel	15,022	-	15,022
Postage	4,360	-	4,360
Conferences	3,209	977	4,186
Dues and memberships	9,196	100	9,296
Professional fees	22,435	-	22,435
Miscellaneous	14,230	79	14,309
Insurance	93,483	10,418	103,901
Repairs and maintenance	211,424	1,475	212,899
Utilities	29,052	-	29,052
Equipment	-	22,818	22,818
Depreciation	528,503	6,660	535,163
Transit provider payments	1,594,600	-	1,594,600
Program awards	5,117,554	-	5,117,554
Services	-	40,485	40,485
Training	-	14,108	14,108
Physicals	-	1,435	1,435
Fuels and lubricants	93,349	-	93,349
Materials and supplies	204,453	-	204,453
Total operating expenses	<u>\$9,434,736</u>	<u>\$ 110,555</u>	<u>\$9,545,291</u>
Operating income (loss)	<u>\$ 290,883</u>	<u>\$ (4,753)</u>	<u>\$ 286,130</u>
Non-operating revenues (expenses):			
Interest income	\$ 11,841	\$ 565	\$ 12,406
Interest expense	(2,280)	-	(2,280)
Gain on sale of equipment	16,133	-	16,133
Net non-operating revenues (expenses)	<u>\$ 25,694</u>	<u>\$ 565</u>	<u>\$ 26,259</u>
Change in net position	\$ 316,577	\$ (4,188)	\$ 312,389
Net position beginning of year, as restated	<u>4,363,837</u>	<u>97,671</u>	<u>4,461,508</u>
Net position end of year	<u><u>\$4,680,414</u></u>	<u><u>\$ 93,483</u></u>	<u><u>\$4,773,897</u></u>

See Notes to Financial Statements.

**NORTH IOWA AREA COUNCIL OF GOVERNMENTS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2015**

	<u>NIACOG</u>	<u>NCRERC</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from federal operating grants	\$ 6,625,860	\$ 10,000	\$ 6,635,860
Cash received from state operating grants	445,154	-	445,154
Cash received from program reimbursements	2,908,644	105,799	3,014,443
Cash paid for salaries and benefits	(1,396,875)	-	(1,396,875)
Cash paid for other suppliers of goods and services	(7,610,470)	(102,859)	(7,713,329)
Net cash provided (used) by operating activities	<u>\$ 972,313</u>	<u>\$ 12,940</u>	<u>\$ 985,253</u>
Cash flows from capital and related financing activities:			
Net acquisition of fixed assets	\$ (180,516)	\$ -	\$ (180,516)
Cash received from asset sales	16,133	-	16,133
Cash received from federal capital grants	178,314	-	178,314
Cash received from short term debt funds	361,621	-	361,621
Cash used to repay short-term debt	(444,092)	-	(444,092)
Net cash (used) by capital and related financing activities	<u>\$ (68,540)</u>	<u>\$ -</u>	<u>\$ (68,540)</u>
Cash flows from investing activities:			
Interest received	\$ 11,841	\$ 565	\$ 12,406
Interest paid	(2,280)	-	(2,280)
Cash advanced for notes receivable	(1,881)	-	(1,881)
Cash received from notes receivable	46,292	-	46,292
Net cash provided (used) by investing activities	<u>\$ 53,972</u>	<u>\$ 565</u>	<u>\$ 54,537</u>
Net increase (decrease) in cash	\$ 957,745	\$ 13,505	\$ 971,250
Cash and cash equivalents beginning of year	<u>1,022,823</u>	<u>60,368</u>	<u>1,083,191</u>
Cash and cash equivalents end of year	<u>\$ 1,980,568</u>	<u>\$ 73,873</u>	<u>\$ 2,054,441</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 290,883	\$ (4,753)	\$ 286,130
Adjustments for long-term non-cash items:			
Depreciation	528,503	6,660	535,163
Revenues and expenses not classified as operating	(178,314)	-	(178,314)
Changes in assets and liabilities:			
(Increase) in prepaid insurance	(157)	-	(157)
(Increase) decrease in accounts receivable	432,353	9,997	442,350
Increase (decrease) in accounts payable	198,061	1,036	199,097
(Decrease) in accrued benefits payable	(1,168)	-	(1,168)
(Decrease) in program awards payable	(248,043)	-	(248,043)
(Increase) in deferred outflow of resources	(32,699)	-	(32,699)
Increase in deferred inflow of resources	249,479	-	249,479
(Decrease) in net pension liability	(266,585)	-	(266,585)
Net cash provided (used) by operating activities	<u>\$ 972,313</u>	<u>\$ 12,940</u>	<u>\$ 985,253</u>
Supplemental disclosure of cash flow information:			
Interest paid	<u>\$ 2,280</u>	<u>\$ -</u>	<u>\$ 2,280</u>

See Notes to Financial Statements.

**NORTH IOWA AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

(1) Organization

The North Iowa Area Council of Governments (NIACOG) is an Inter- Governmental Council, established in accordance with provisions of Chapter 28E of the State Code of Iowa (Inter-Governmental Cooperation Agreement). The area of jurisdiction is Region 2 which includes Cerro Gordo, Floyd, Hancock, Worth, Kossuth, Mitchell, Franklin, and Winnebago counties. NIACOG's powers and duties are those authorized by Chapter 28H of the State of Iowa (Councils of Governments). NIACOG provides professional and technical services on a regional basis to maintain area-wide certification for state and federal grant and aid projects. It also provides planning advisory services and assistance in preparing special planning documents and applications to its members. NIACOG also provides transportation services to the elderly, disabled and rural areas through the Region Two Transit System. In performing its duties, NIACOG may contract with and expend funds from federal, state, and local agencies, public or semi-public agencies and private individuals and Corporations.

Reporting Entity

For financial reporting purposes, NIACOG has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with NIACOG are such that exclusion would cause NIACOG's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of NIACOG to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on NIACOG. NIACOG has one component unit which meets the Governmental Accounting Standards Board criteria. The North Central Regional Emergency Response Commission (NCRERC) is a committee established under a 28E agreement with NIACOG. Its purpose is to implement joint and cooperative action in training and response activities of hazardous materials for Region 2.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accounts of NIACOG are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

(b) Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NORTH IOWA AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(2) Summary of Significant Accounting Policies - continued

NIACOG applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

NIACOG distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the NIACOG's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

(c) Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources and Net Position

The following accounting policies are followed in preparing the Statement of Net Position:

Cash and Cash Equivalents - The cash balances are deposited in bank accounts. For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Notes Receivable - This account is utilized to record revolving loan funds loaned to eligible homeowners and businesses.

Capital Assets - Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reportable capital assets are defined by NIACOG as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$5,000
Building	5,000
Equipment	5,000
Vehicles	5,000

Capital assets of NIACOG are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful lives (In Years)</u>
Building	40
Improvements other than buildings	15
Equipment	5-10
Vehicles	5

NORTH IOWA AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(2) **Summary of Significant Accounting Policies** - continued

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Accrued Benefits Payable - Accrued benefits payable are earned vacation leave and compensatory time and have been accrued as liabilities on the statement of net assets. These current liabilities have been computed based on rates of pay in effect at June 30, 2015.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources represent that amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Reserved Net Position - Reserved net position represents the portion of federal participation in the purchase of transit vehicles and related equipment. Subsequent disposition of assets purchased with federal funds are subject to certain restrictions.

(3) **Cash and Investments**

NIACOG's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

NORTH IOWA AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(3) Cash and Investments - continued

NIACOG is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies, certain joint investment trusts; and warrants or improvement certificates of a drainage district.

NIACOG and NCRERC had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

Interest rate risk - NIACOG'S investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of NIACOG.

(4) Capital Assets

A summary of capital assets for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<u>NIACOG</u>				
Land	\$ 157,711	\$ -	\$ -	\$ 157,711
Building	2,640,644	-	-	2,640,644
Equipment	359,587	-	20,993	338,594
Vehicles	5,545,985	180,516	226,298	5,500,203
Total capital assets being depreciated	<u>\$8,703,927</u>	<u>\$ 180,516</u>	<u>\$247,291</u>	<u>\$ 8,637,152</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<u>NCRERC</u>				
Equipment	\$ 112,144	\$ -	\$ -	\$ 112,144
Vehicles	62,516	-	-	62,516
Total capital assets being depreciated	<u>\$ 174,660</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 174,660</u>

NORTH IOWA AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(4) Capital Assets - continued

Depreciation activity for the year ended June 30, 2015 was as follows:

<u>NCRERC</u>	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Building	\$ 545,333	\$ 66,127	\$ -	\$ 611,460
Equipment	264,583	39,021	20,993	282,611
Vehicles	4,557,506	423,355	226,298	4,754,563

Total capital assets
being depreciated,
net

	<u>\$5,367,422</u>	<u>\$ 528,503</u>	<u>\$247,291</u>	<u>\$5,648,634</u>
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<u>NCRERC</u>	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Equipment	\$ 89,852	\$ 6,660	\$ -	\$ 96,512
Vehicles	62,516	-	-	62,516

Total capital assets
being depreciated,
net

	<u>\$ 152,368</u>	<u>\$ 6,660</u>	<u>\$ -</u>	<u>\$ 159,028</u>
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(5) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the Agency, except for those covered by another retirement system. Employees of the Agency are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

A multiplier (based on years of service).

The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

**NORTH IOWA AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

(5) Pension Plan - continued

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the Agency contributed 8.93 percent for a total rate of 14.88 percent.

The Agency's total contributions to IPERS for the year ended June 30, 2015 were \$97,598.

NORTH IOWA AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(5) Pension Plan - continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the Agency reported a liability of \$654,162 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on the Agency's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the Agency's collective proportion was 0.016164 percent, which was a decrease of 0.000098 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the Agency recognized pension expense of \$47,792.

At June 30, 2015, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,109	\$ -
Changes of assumptions	28,870	-
Net difference between projected and actual earnings on pension plan investments	-	249,479
Changes in proportion and differences between Agency contributions and proportionate share of contributions	(4,492)	-
Agency contributions subsequent to the measurement date	97,598	-
Total	<u>\$ 129,085</u>	<u>\$ 249,479</u>

\$97,598 reported as deferred outflows of resources related to pensions resulting from the Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Total
2016	\$ (55,013)
2017	(55,013)
2018	(55,013)
2019	(55,013)
2020	2,060
	<u>\$ 217,992</u>

There were no non-employer contributing entities at IPERS.

NORTH IOWA AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(5) Pension Plan - continued

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-Term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	<u>1</u>	(0.69)
Total	<u>100%</u>	

NORTH IOWA AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(5) Pension Plan - continued

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Agency will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Agency's Proportionate share of the net pension liability	\$1,236,021	\$ 654,162	\$ 163,013

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(6) Short-Term Notes Payable - Line of Credit

The Agency has an unsecured line of credit agreement with a bank which provides it may borrow up to \$1,000,000 at a variable rate of interest. The line of credit is used for disaster assistance program expenditures.

Short-term notes payable activity for the year ended June 30, 2015 is as follows:

	Balance Beginning of year	Advances Received	Advances Repaid	Balance End of year
Line of credit	\$ 82,471	\$ 361,621	\$ 444,092	\$ -

(7) Risk Management

The Agency is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

NORTH IOWA AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(7) Risk Management - continued

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Agency's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Agency's contributions to the Pool for the year ended June 30, 2015 were \$131,081.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Agency's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Agency's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the Agency's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The Agency does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been recorded in the Agency's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

NORTH IOWA AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(7) Risk Management - continued

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The Agency also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employers liability coverage. The Agency assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net position liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>NIACOG</u>	<u>NCRERC</u>	<u>Total</u>
Net position June 30, 2014, as previously reported	\$5,188,199	\$ 97,671	\$5,285,870
Net pension liability at June 30, 2014	(920,747)	-	(920,747)
Change in outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>96,385</u>	<u>-</u>	<u>96,385</u>
Net position July 1, 2014, as restated	<u>\$4,363,837</u>	<u>\$ 97,671</u>	<u>\$4,461,508</u>

Required Supplementary Information

NORTH IOWA AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF THE AGENCY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST FISCAL YEAR* (IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>
Agency's proportion of the net pension liability(asset)	0.016164%
Agency's proportionate share of the net pension liability	\$ 654
Agency's covered-employee payroll	\$ 1,093
Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll	59.83%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

*The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Agency will present information for those years for which information is available.

See Accompanying Independent Auditor's Report.

NORTH IOWA AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF AGENCY CONTRIBUTIONS

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST FISCAL YEAR (IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>
Statutorily required contribution	\$ 96
Contributions in relation to the statutorily required contribution	<u>(96)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Agency's covered-employee payroll	\$ 1,093
Contributions as a percentage of covered-employee payroll	8.93%

See Accompanying Independent Auditor's Report.

NORTH IOWA AREA COUNCIL OF GOVERNMENTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

Decreased the inflation assumption from 3.25 percent to 3.00 percent

Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.

Adjusted male mortality rates for retirees in the Regular membership group.

Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.

Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

Adjusted retiree mortality assumptions.

Modified retirement rates to reflect fewer retirements.

Lowered disability rates at most ages.

Lowered employment termination rates.

Generally increased the probability of terminating members receiving a deferred retirement benefit.

Modified salary increase assumptions based on various service duration.

NORTH IOWA AREA COUNCIL OF GOVERNMENTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

Changes of assumptions: - continued

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

Adjusted salary increase assumptions to service based assumptions.

Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.

Lowered the inflation assumption from 3.50 percent to 3.25 percent.

Lowered disability rates for sheriffs and deputies and protection occupation members.

Supplementary Information

NORTH IOWA AREA COUNCIL OF GOVERNMENTS
 STATEMENT OF SELECTED PROJECT COSTS AND COMPUTATION OF SELECTED PROJECT GRANTS
 YEAR ENDED JUNE 30, 2015

	STA Operating Assistance	COG Assistance 2015-COG-01	NICE STA-SPEC- 020-FY13	Section 16 Elderly & Persons/ Disabilities PROJ #16- X005-020-15
Operating Expenses:				
Contractual Services	\$ 412,986	\$ 11,765	\$ -	\$1,027,930
Capital Outlay	-	-	-	-
Prior Year	-	-	14,618	-
Project Cost	\$ 412,986	\$ 11,765	\$ 14,618	\$1,027,930
Grant Participation in Project Cost	100%	100%	100%	80%
Percentage Participation	<u>\$ 412,986</u>	<u>\$ 11,765</u>	<u>\$ 14,618</u>	<u>\$ 822,344</u>
Contract Amount	<u>\$ 402,889</u>	<u>\$ 11,765</u>	<u>\$ 15,769</u>	<u>\$ 822,344</u>
Permissible Grant (Lesser of Contract Amount or Percentage Participation)	\$ 412,986	\$ 11,765	\$ 14,618	\$ 822,344
Less: Grant Payments received in current year	(412,986)	(11,765)	(2,903)	(786,374)
Less: Grant Payments received in prior year	-	-	(11,715)	-
Grant Receivable/(Payable) at June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,970</u>

(continued)

Section 16 Elderly & Persons/ Disabilities PROJ #16- X050-020-14	FTA-JOB ACCESS REV COMMUTE 37- X023-020-15	FTA-JOB ACCESS REV COMMUTE 37- X016-020-15	FTA-JOB ACCESS REV COMMUTE NICE 37- X016-020-15	Capital 85-0034-020-13	Section 57 I.C. SHUTTLE #57-X002-020-13
\$ -	\$ -	\$ -	\$ 11,895	\$ -	\$ 5,732
-	147,422	30,892	-	-	-
1,130,186	-	-	-	82,982	37,360
<u>\$1,130,186</u>	<u>\$ 147,422</u>	<u>\$ 30,892</u>	<u>\$ 11,895</u>	<u>\$ 82,982</u>	<u>\$ 43,092</u>
80%	83%	83%	100%	80%	50%
<u>\$ 904,149</u>	<u>\$ 122,360</u>	<u>\$ 25,640</u>	<u>\$ 11,895</u>	<u>\$ 66,385</u>	<u>\$ 21,546</u>
<u>\$ 892,647</u>	<u>\$ 122,360</u>	<u>\$ 25,640</u>	<u>\$ 39,788</u>	<u>\$ 68,800</u>	<u>\$ 27,181</u>
\$ 904,149	\$ 122,360	\$ 25,640	\$ 11,895	\$ 66,385	\$ 21,546
(105,991)	(122,360)	(25,640)	(8,494)	(1,823)	(7,931)
(798,158)	-	-	-	(64,562)	(13,615)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,401</u>	<u>\$ -</u>	<u>\$ -</u>

NORTH IOWA AREA COUNCIL OF GOVERNMENTS
STATEMENT OF SELECTED PROJECT COSTS AND COMPUTATION OF SELECTED PROJECT GRANTS
YEAR ENDED JUNE 30, 2015

	Section 57 Mobility MGR #57-X002- 020-12	15-RPA-02	14-RPA-02	EDA 05-83-05369-01
Operating Expenses:				
Contractual Services	\$ -	\$ 101,162	\$ -	\$ 122,000
Capital Outlay	-	-	-	-
Prior Year	121,076	-	104,637	-
Project Cost	<u>\$ 121,076</u>	<u>\$ 101,162</u>	<u>\$ 104,637</u>	<u>\$ 122,000</u>
Grant Participation in Project Cost	<u>80%</u>	<u>80%</u>	<u>80%</u>	<u>50%</u>
Percentage Participation	<u>\$ 96,861</u>	<u>\$ 80,929</u>	<u>\$ 83,707</u>	<u>\$ 61,000</u>
Contract Amount	<u>\$ 96,861</u>	<u>\$ 124,157</u>	<u>\$ 108,821</u>	<u>\$ 61,000</u>
Permissible Grant (Lesser of Contract Amount or Percentage Participation)	\$ 96,861	\$ 80,929	\$ 83,707	\$ 61,000
Less: Grant Payments received in current year	(5,983)	(50,625)	(41,322)	(61,000)
Less: Grant Payments received in prior year	<u>(90,878)</u>	<u>-</u>	<u>(42,385)</u>	<u>-</u>
Grant Receivable/ (Payable) at June 30, 2015	<u>\$ -</u>	<u>\$ 30,304</u>	<u>\$ -</u>	<u>\$ -</u>

See Accompanying Independent Auditor's Report.

<u>CDBG 08-DRB-002</u>	<u>CDBG 08-DRH -202</u>	<u>HAZMAT HMEP</u>	<u>Total</u>
\$3,676,109	\$ 1,585,805	\$ 10,000	\$ 6,965,384
-	-	-	178,314
<u>1,466,512</u>	<u>5,275,635</u>	<u>8,025</u>	<u>8,241,031</u>
\$5,142,621	\$ 6,861,440	\$ 18,025	\$ 15,384,729
<u>100%</u>	<u>100%</u>	<u>100%</u>	
<u>\$5,142,621</u>	<u>\$ 6,861,440</u>	<u>\$ 18,025</u>	<u>\$ 14,758,271</u>
<u>\$7,531,930</u>	<u>\$15,498,765</u>	<u>\$ 26,876</u>	<u>\$ 25,877,593</u>
\$5,142,621	\$ 6,861,440	\$ 18,025	\$ 14,758,271
(4,031,812)	(1,554,820)	(9,025)	(7,240,854)
<u>(1,103,109)</u>	<u>(5,076,056)</u>	<u>(3,750)</u>	<u>(7,204,228)</u>
<u>\$ 7,700</u>	<u>\$ 230,564</u>	<u>\$ 5,250</u>	<u>\$ 313,189</u>

NORTH IOWA AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

<u>GRANTOR/PROGRAM</u>	<u>CFDA NUMBER</u>	<u>AGENCY PASS-THROUGH NUMBER</u>	<u>PROGRAM EXPENDITURES</u>
Direct:			
Department of Commerce:			
Economic Development Administration:			
Planning Grant	11.302	05-83-05369-01	\$ 61,000
Total Direct Awards			<u>\$ 61,000</u>
Indirect:			
Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Cerro Gordo County:			
Community Development Block Grant			
Program	14.228	08-DRH-202	\$1,585,805
	14.228	08-DRH-002	<u>3,676,109</u>
			<u>\$5,261,914</u>
Department of Transportation:			
Iowa Department of Transportation:			
Urban Mass Transportation Technical			
Studies Grants:			
FHWA STP/SPR	20.205	15-RPA-02	<u>\$ 58,270</u>
Formula Grants for Other than Urbanized			
Areas:			
FTA 5311 New	20.509	14-RPA-02	<u>\$ 22,660</u>
Elderly and Persons with Disabilities	20.513	16-X005-020-15	\$ 822,344
Job Access-Reverse Commute	20.516	37-X023-020-15	122,360
Job Access Reverse Commute	20.516	57-X016-020-15	25,640
Job Access Reverse Commute	20.516	37-X016-020-15	11,895
New Freedom Operating Assistance	20.521	57-X002-020-13	2,866
			<u>\$ 985,105</u>
Homeland Security and Emergency Management:			
Hazardous Material Public Sector			
Training	20.703	HMEP	<u>\$ 10,000</u>
Total Indirect Awards			<u>\$6,337,949</u>
Total			<u>\$6,398,949</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of NIACOG and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

See Accompanying Independent Auditor's Report.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
North Iowa Area Council of Governments:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of NIACOG, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the Agency's basic financial statements, and have issued my report thereon dated December 29, 2015.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered NIACOG's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NIACOG's internal control. Accordingly, I do not express an opinion on the effectiveness of NIACOG's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified a deficiency in internal control I consider to be a material weakness and an other deficiency I consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of NIACOG's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings as item II-A-15 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part II of the accompanying Schedule of Findings as item II-B-15 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NIACOG's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination

of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the Agency. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

NIACOG's Responses to the Findings

NIACOG's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. NIACOG's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to us by personnel of NIACOG during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Charles City, Iowa
December 29, 2015



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors
North Iowa Area Council of Governments:

Report on Compliance for Each Major Federal Program

I have audited North Iowa Area Council of Government's (NIACOG's) compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on NIACOG's major federal programs for the year ended June 30, 2015. NIACOG's major federal programs are identified in Part I of the accompanying Schedule of Findings.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for NIACOG's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about NIACOG's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe my audit provides a reasonable basis for my opinion on compliance for the major federal programs. However, my audit does not provide a legal determination of NIACOG's compliance.

Opinion on Each Major Federal Program

In my opinion, NIACOG complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The management of NIACOG is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered NIACOG's internal control over compliance with the types of requirements that could have a

direct and material effect on the major federal programs to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of NIACOG's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, I identified a deficiency in internal control over compliance I consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. I consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as item III-B-15 to be a material weakness.

NIACOG's response to the internal control over compliance finding identified in my audit is represented in the accompanying Schedule of Findings. NIACOG's response was not subjected to the audit procedures applied in the audit of compliance, and accordingly, I express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script, appearing to read "Larry Pump".

Charles City, Iowa
December 29, 2015

NORTH IOWA AREA COUNCIL OF GOVERNMENTS
Schedule of Findings
Year Ended June 30, 2015

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness and a significant deficiency in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were: CFDA Number 20.513 - Elderly Persons and Persons with Disabilities Project, CFDA Number 20.516 - Job Access-Reverse Commute, CFDA Number 20.521 - New Freedom Assistance Project, and CFDA Number 14.228 - Community Development Block Grants.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) NIACOG did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-15 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, payroll and bank reconciliations are all done by the same individual.

Recommendation - I realize segregation of duties is difficult with a limited number of office employees. However, NIACOG should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response - We will review procedures and make changes to improve internal control where possible.

Conclusion - Response acknowledged. NIACOG should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

NORTH IOWA AREA COUNCIL OF GOVERNMENTS
Schedule of Findings
Year Ended June 30, 2015

Part II: Findings Related to the Financial Statements: - continued

II-B-15 Credit Cards - The Agency has credit cards for use by various employees while on Agency business. The Agency has adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges. Supporting documentation was not always available to support all credit card charges.

Recommendation - The Agency should adopt procedures to ensure the Agency obtains required adequate supporting documentation to substantiate charges and public purpose of the expenses.

Response - We will review procedures and guidelines regarding documentation regarding credit card charges.

Conclusion - Response acknowledged. NIACOG should implement procedures in order to substantiate all credit card charges.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

CFDA Number 20.513: Elderly Persons and Persons with Disabilities Project
Federal Award Year: 2015
U.S. Department of Transportation
Pass-through the Iowa Department of Transportation

III-A-15 Transit services - A compliance exam conducted by the
(2015-01) Iowa Department of Transportation (IDOT) determined that transit services provided by two vendors were charter services that were not in compliance with the IDOT transit agreement. NIACOG's management does not agree with the interpretation of the findings and at this time the issue is unresolved. IDOT has acknowledged the interpretation is vague and has forwarded the details to the Ombudsman and requested their interpretation. IDOT calculated approximately \$18,000 of funds subject to repayment if the Ombudsman agrees with the findings of IDOT.

Recommendation - If the final interpretation decision is in agreement with NIACOG's position, no action will be required. However, if the decision is in agreement with IDOT, the funds will have to be repaid and the adjustments to ride statistics will need to be made. Also, the transit services in question will have to be changed to be in compliance.

Response and Corrective Action Planned - We will comply with the decision of the Ombudsman.

Conclusion - Response accepted.

NORTH IOWA AREA COUNCIL OF GOVERNMENTS
Schedule of Findings
Year Ended June 30, 2015

Part III: Findings and Questioned Costs for Federal Awards: - continued

INTERNAL CONTROL DEFICIENCY:

CFDA Number 20.513: Elderly Persons and Persons with Disabilities Project.

Federal Award Year: 2015

U.S. Department of Transportation

Passed through the Iowa Department of Transportation

CFDA Number 20.516: Job Access-Reverse Commute

Federal Award Year: 2015

U.S. Department of Transportation

Passed through the Iowa Department of Transportation

CFDA Number 20.521 New Freedom Assistance Project

Federal Award Year: 2015

U.S. Department of Transportation

Passed through the Iowa Department of Transportation

CFDA Number 14.228: Community Development Block Grants

Federal Award Year: 2015

U.S. Department of Housing and Urban Development

Passed through the Iowa Department of Economic Development and Cerro Gordo County

III-B-15 The Agency did not properly segregate custody, recordkeeping and
(2015-002) reconciling functions for revenues and expenses, including those
 related to Federal Programs. See audit finding II-A-15.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-15 Questionable Expenses - No expenses I believe may not meet the
 requirements of public purpose as defined in an Attorney General's
 opinion dated April 25, 1979 were noted.

IV-B-15 Travel Expense - No expenses of NIACOG money for travel expenses of
 spouses of NIACOG officials or employees were noted.

IV-C-15 Business Transactions - No business transactions between NIACOG and
 NIACOG officials or employees were noted.

IV-D-15 Bond Coverage - Surety bond coverage of NIACOG officials and employees
 is in accordance with statutory provisions. The amount of coverage
 should be reviewed annually to insure that the coverage is adequate for
 current operations.

IV-E-15 Deposits and Investments - No instances of non-compliance with the
 deposit and investment provisions of Chapter 12B and 12C of the Code of
 Iowa and the NIACOG's investment policy were noted.

IV-F-15 Board Minutes - No transactions were found that I believe should have
 been approved in the Board minutes but were not.